

TESTIMONY OF JACQUELINE R. CHERRY**FOR****THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA****DOCKET NO. 2001-3-E****IN RE: DUKE POWER COMPANY**

Q. PLEASE STATE FOR THE RECORD, YOUR NAME, BUSINESS ADDRESS AND POSITION WITH THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA.

A. My name is Jacqueline R. Cherry. My business address is 101 Executive Center Drive, Columbia, South Carolina. I am employed by the Public Service Commission of South Carolina, Audit Department, as an auditor.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND YOUR BUSINESS EXPERIENCE?

A. I received a B. S. Degree in Business Administration, with a major in Accounting from Johnson C. Smith University in 1976. I was employed by this Commission in February 1979, and have participated in cases involving gas, electric, telephone, water and wastewater utilities.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to summarize the results of the Audit Staff's examination of Duke Power Company's Fuel Adjustment Clause operation for the period **June 2000 through May 2001**. The findings of the examination are contained in the Audit Department's section of the Commission Staff Report, prepared for this proceeding.

1 **Q. WHAT WAS THE SCOPE OF THE EXAMINATION?**

2 **A.** The Audit Staff traced the fuel information, as filed in the Company's required
3 monthly filing, to the Company's books and records. The audit covered the period
4 **April 2000 through March 2001.** The purpose of the examination was to determine
5 if Duke Power Company had computed and applied the monthly Fuel Adjustment
6 Clause in accordance with the approved clause. To accomplish this, Staff examined
7 the components surrounding the operation of the clause.

8 **Q. WHAT WERE THE STEPS THAT THE STAFF EMPLOYED WITHIN THE**
9 **SCOPE OF THE AUDIT?**

10 **A.** The examination consisted of the following:

- 11 1. An Analysis of Account # 151 -- Fuel Stock
- 12 2. Sample of Receipts to the Fuel Stock Account -- Account # 151
- 13 3. Verification of Charges to Nuclear Fuel Expense -- Account # 518
- 14 4. An Analysis of Purchased Power and Interchange
- 15 5. Verification of KWH Sales
- 16 6. A Comparison of Coal Costs
- 17 7. An Analysis of Spot Coal Purchasing Procedures
- 18 8. Recomputation of Fuel Cost Adjustment Factor and Verification of
- 19 Deferred Fuel Costs
- 20 9. Recomputation of True-up for the (Over)Under-Recovered Fuel Costs

21 **Q. WITH REGARD TO THE TRUE-UP OF (OVER) UNDER-RECOVERED**
22 **FUEL COSTS, WOULD YOU PLEASE ELABORATE ON STAFF'S**
23 **COMPUTATION?**

24 **A.** Staff analyzed the cumulative over-recovery of fuel costs that the Company had
25 incurred for the period April 2000 through March 2001 of \$20,367,528. Staff added
26 the projected under-recovery for April 2001 of \$754,146 and the projected under-
27 recovery for May 2001 of \$3,750,751 to arrive at a cumulative over-recovery of
28 \$15,862,631. The Company's cumulative over-recovery as of March 2001 and
29 cumulative over-recovery as of May 2001 differs from Staff's. Staff's Purchased

1 Power figures for July 2000, October 2000, December 2000 and January 2001 differ
2 from the Company's figures. Staff's figures, per Staff's report, reflect calculation
3 adjustments made to Purchased Power Costs for this fuel review period, based on
4 Staff's review of Purchased Power invoices and system operations reports. Also,
5 Staff's Intersystem Sales figure for September 2000 differs from the Company's
6 figure because Staff's figure reflects a correction for an erroneous figure used by the
7 Company. Staff's Exhibit G, S.C. Retail Comparison of Fuel Revenues and
8 Expenses, which consists of two pages, provides details of Staff's cumulative over-
9 recovery balance. As stated in Duke Power Company's Adjustment for Fuel Costs,
10 fuel costs will be included in base rates to the extent determined reasonable by the
11 Commission. Accordingly, the Commission should consider the over-recovery of
12 \$15,862,631 along with the anticipated fuel costs for the period June 1, 2001 to May
13 31, 2002 for the purpose of determining the base costs for fuel in base rates effective
14 June 1, 2001. This over-recovery figure of \$15,862,631 was furnished to the
15 Commission's Utilities Department.

16 **Q. MRS. CHERRY, WOULD YOU PLEASE DESCRIBE THE REMAINING**
17 **STAFF EXHIBITS?**

18 **A.** Staff prepared exhibits from Duke Power Company's books and records reflecting
19 fuel costs during the review period.

20 Specifically, these exhibits are as follows:

21 Exhibit A – Coal Cost Statistics

22 Exhibit B – Received Coal-Cost Per Ton Comparison

23 Exhibit C – Detail of Nuclear Cost

24 Exhibit D – Total Burned Cost (Fossil and Nuclear)

25 Exhibit E – Cost of Fuel

26 Exhibit F – Factor Computation

27 Exhibit G – S.C. Retail Comparison of Fuel Revenues and Expenses
28

1 **Q. MRS. CHERRY, WHAT WERE THE RESULTS OF THE AUDIT**
2 **DEPARTMENT'S EXAMINATION?**

3 **A.** Based on the Audit Staff's examination of Duke Power Company's books and
4 records, and the utilization of the fuel cost-recovery mechanism as directed by the
5 Commission, the Audit Department is of the opinion that the Company has complied
6 with the directives (per the Fuel Adjustment Clause) of the Commission.

7 **Q. MRS. CHERRY, DOES THIS CONCLUDE YOUR TESTIMONY?**

8 **A.** Yes, it does.